

Place your name on the back of this sheet of paper and nowhere else. Staple your answers face up on the front of this sheet of paper. Failure to follow these directions will cost you 10 points. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (15 points) To retire and keep your standard of living, you need to save 20 times your annual income. Suppose your retirement fund earns 6% interest and if you earn \$50,000/year. If you save for 40 years, you need to save \$502.14/month. If you save for 30 years, you need to save \$1070.05/month. There are two reasons why the extra 10 years greatly reduces how much you have to save. What are the two reasons? Explain your logic. (Note that this means you should start saving for retirement today.) The three articles below discuss how to know if you save enough for retirement and how to motivate yourself to save. The first one is best. The second one is basically an advertisement for an app. I have one problem with it. If you only save 10% of your income, you cannot keep your standard of living unless you either are earning 10% per year or you draw down your assets. Therefore, the chart does not have you saving enough so that app is probably a bad idea, but their steps on saving are good (except Step #4). The third one basically says most advice on how to save is bad and people are not saving enough.

<https://getpocket.com/explore/item/the-best-advice-for-saving-as-much-as-you-can?>

<https://www.pocketnest.com/post/how-much-should-i-be-saving-for-retirement>

<https://www.psychologytoday.com/us/blog/the-science-behind-behavior/201601/why-saving-goals-don-t-always-help-consumers>

2) (15 points) Go to the link below. Given our theory, and given what the article says President Trump is doing to funding at the NIH, what will his actions do to the long-term growth of the economy? Explain your logic and assume that he is successful in taking the action.

<https://www.fox17online.com/news/local-news/trump-administrations-proposed-funding-cuts-raise-concerns-for-msu-and-others>

3) (20 points) Go to the link below. What does it say will be the result of Trump's proposed tariffs? Explain the economics which causes those effects. In case you were wondering, Wikipedia describes the Tax Foundation as, "...business-friendly, conservative, and center-right." <https://taxfoundation.org/research/all/federal/trump-tariffs-trade-war/>

4) (20 points) According to <https://www.fox2detroit.com/news/donald-trumps-proposal-cut-department-education-could-impact-rural-urban-districts> what will be the result of President Trump's proposals on rural education? How will that affect the long-term growth of the economy? Explain your logic.

5) (15 points) How does more economic growth cause the breakdown of the family? Explain your logic.

6) (15 points) What is creative destruction? How does it help the economy grow in the long-run? Explain your logic.